

John Boehner
Chairman
8th District, Ohio

*House Meets at 9:30 a.m. for Morning Hour
and 11:00 a.m. for Legislative Business*

Anticipated Floor Action:

H.R. 3579—FY 1988 Emergency Supplemental Appropriations Act

H.R. 10—Financial Services Competition Act



H.R. 3579—FY 1998 Emergency Supplemental Appropriations Act

Floor Situation: The House is scheduled to consider H.R. 3579 as its first order of business today. Yesterday, the Rules Committee granted a modified-closed rule that provides one hour of general debate equally divided between the chairman and ranking minority member of the Appropriations Committee. In addition, the rule provides an additional 30 minutes of debate on the provision in the bill that prohibits the use of funds for military operations against Iraq, equally divided between Mr. Skaggs and an opponent. The rule self-executes three amendments—by Mr. Hastings (WA), Messrs. McIntosh and Neumann, and Mr. Tiahrt—into the base text of the bill (see below). Furthermore, the rule makes in order one other amendment—by Chairman Livingston—debatable for 10 minutes. The rule also waives House rules requiring that committee reports be available for three days before consideration, as well as rules prohibiting unauthorized appropriations, legislative measures in an appropriations bill, and reappropriations. Finally, the rule provides one motion to recommit, with or without instructions.

Summary: H.R. 3579 appropriates \$2.9 billion in supplemental spending, including \$570.1 million to provide disaster relief to states that have been declared major disaster areas because of flooding, winter storms, and the effects of El Niño, as well as \$2.3 billion for the current operation in Bosnia and other overseas operations. To offset the increase in discretionary budget authority, the bill rescinds \$2.9 billion from several programs, including (1) \$1.9 billion from HUD excess Section 8 housing reserves; (2) \$335 million from the airport grant-in-aid program; (3) \$250 million from the Americorps program; (4) \$75 million from the Department of Education's Bilingual Education program; and (5) \$275 million from the General Services Administration's federal buildings fund (as

self-executed by the Tiahrt amendment). A CBO cost estimate was unavailable at press time. The bill was introduced by Mr. Livingston; the Appropriations Committee reported the bill by voice vote on March 25, 1998.

Views: The Republican leadership supports passage of the measure. An official Clinton Administration viewpoint was unavailable at press time.

Amendments: Yesterday, the Rules Committee granted a modified closed rule that self-executes the following three amendments into the base text of the bill.

- * an amendment by **Mr. Hastings (WA)** to prohibit the Army Corps of Engineers from taking any action to stabilize, cover, or permanently alter the site where the ancient human remains known as the “Kennewick Man” were discovered near Kennewick, Washington, prior to the final resolution of a U.S. District Court lawsuit. Currently, the Corps is planning to deposit tons of rock and soil on the site. However, several prominent archeologists are suing the Corps for the right to study the site’s remains. A similar amendment was included in the Senate version of the supplemental appropriations bill. *Staff Contact: Doug Riggs, x5-5816*
- * an amendment by **Messrs. McIntosh and Neumann** to express the sense of the House that any emergency supplemental appropriations be fully offset in order to demonstrate the House’s commitment to fiscal responsibility and to ensure that the federal deficit does not increase as a result. *Staff Contact: Leila Bate (McIntosh), x5-3021; (Neumann), x5-3031*
- * an amendment by **Mr. Tiahrt** to restore \$243.6 million in contract authority that the bill rescinds from the airport grant-in-aid program (the bill originally rescinded \$610 million). As an offset, the amendment rescinds an equal amount from HUD excess Section 8 housing reserves. *Staff Contact: Jeff Kahrs, x5-6216*

In addition, the rule makes in order one other amendment:

Mr. Livingston will offer an amendment, debatable for 10 minutes, to allocate \$20 million for HUD community development block grant funds to mitigate the disaster-related efforts in states affected by the January 1998 ice storms in the northeast. To offset the increase, the amendment increases the amount rescinded from HUD excess housing reserves by an equivalent amount. *Staff Contact: Chuck Parkinson, x5-2771*

Additional Information: See *Legislative Digest*, Vol. XXVI, #8, March 27, 1998.



H.R. 10—Financial Services Competition Act

Floor Situation: The House will consider H.R. 10 after it completes consideration of H.R. 3579. Yesterday, the Rules Committee granted a modified closed rule providing two hours of general debate, equally divided between the chairmen and ranking minority members of the Banking & Financial Services and Commerce committees. The rule makes a committee amendment in the nature of a substitute in order as base text and waives all points of order against the substitute. It also makes in order five amendments, debatable in the order listed and for the amount of time specified below. The chairman of the Committee of the Whole may postpone votes and reduce the voting time on a postponed vote to five minutes, so long as it follows a regular 15-minute vote. Finally, the rule provides one motion to recommit, with or without instructions.

Summary: H.R. 10 removes barriers to the affiliation between banking and other forms of financial services and, to a limited extent, commercial enterprises. Specifically, the bill:

- * repeals the anti-affiliation provisions of the 1933 Glass-Steagall Act and the 1956 Bank Holding Company Act, and makes other changes in law to allow mergers of banking, insurance, and securities organizations under a holding company structure;
- * authorizes securities and insurance firms to own Wholesale Financial Institutions (WFI), a new type of institution which provides securities and insurance firms with access to the federal payments system and the discount window with less regulatory oversight;
- * amends the 1934 Securities Exchange Act to establish functional regulation of bank securities activities; and
- * establishes specific guidelines for insurance products that banks and other financial institutions may offer.

The committee substitute amendment to H.R. 10, made in order as base text by the rule, contains all the provisions of the most recent version of H.R. 10, but also (1) adds H.R. 1151, the Credit Membership Access Act, and (2) deletes all of the thrift charter provisions in Title IV, except for a provision which prohibits the establishment of any new unitary thrift holding company after March 31, 1998 (the bill originally did not list a specific date, but stated that the provision would go into effect one day before enactment of the bill).

H.R. 10 was introduced by Mr. Leach, and was initially reported by the Banking & Financial Services Committee by a vote of 28-26; the Commerce Committee ordered its version reported by a vote of 33-11. On March 10, 1998, House Republicans announced the “Financial Services Competition Act,” a substitute for H.R. 10.

Views: The Republican Leadership supports passage of the bill. An official Clinton Administration position was unavailable at press time. However, administration officials have expressed opposition to the bill.

Amendments: As stated above, the rule makes in order the following five amendments, debatable in the order listed and for the amount of time specified below:

Mr. Bliley and Mr. Leach will offer a manager's amendment, debatable for 20 minutes, to make technical changes to the treatment of derivatives under the definition of traditional banking products. The amendment also makes a technical tax reference change regarding the National Association of Registered Agents and Brokers and makes minor changes to the bill in order to define more exactly the extent to which the measure preempts state laws regarding insurance affiliations. Furthermore, the amendment clarifies the authority of state securities regulators and deletes most provisions that streamlined the Justice Department's antitrust authority to review banking mergers. *Staff Contact: Laurie Schaffer (Leach), x5-2258*

Ms. Roukema may offer an amendment, debatable for 30 minutes, to increase from five to 15 percent the bill's "commercial basket," the amount of annual gross revenue that a bank may derive from subsidiary commercial activities. The amendment also deletes the \$500 million restriction on commercial activities. Currently, the bill amends current law to allow mergers of banking, insurance, and securities organizations under a holding company structure. The holding companies may acquire a limited number of commercial businesses not related to financial services. Financial holding companies affiliated with banks may engage in commercial activity as long as the activity does not exceed \$500 million or five percent of the holding company's consolidated annual gross revenue, whichever is lower. However, a holding company may not acquire any company with assets of \$750 million or more.

Proponents of the amendment argue that the basket should be increased to 15 percent because it allows holding companies more flexibility to engage in diverse activities and because it makes it easier for securities and insurance companies to acquire or affiliate with banks, effectively establishing a "two-way street." Presently, bank holding companies cannot engage in commercial activities or control commercial firms. Securities firms and insurance companies, however, are not subject to these same restrictions and thus have revenue which comes from commercial enterprises. If an accommodation for these commercial activities is not made, proponents of the amendment argue that commercial firms will be prevented from affiliating with a bank or must divest their commercial activities to do so. *Staff Contact: Pat McCarty, x5-2258*

- * **Messrs. Leach, Bereuter, and Campbell** will offer a substitute amendment to the Roukema amendment, debatable for 30 minutes, to eliminate the bill's five percent commercial basket for financial services holding companies, effectively prohibiting banks from engaging in commercial activities. The amendment allows securities and insurance firms that affiliate with a bank under a financial holding company to derive up to 15 percent of their total gross revenues from commercial activities for another 10 years, but they must divest those interests afterwards. The amendment also eliminates the five percent basket for wholesale financial holding companies but grandfathered their current commodity trading and investment activities, allowing them to continue to receive up to five percent of their revenues from such ventures.

Proponents of the amendment oppose a basket provision and wish to retain the existing restrictions on bank holding companies engaging in nonfinancial activities. They argue that because of the banking industry's important role in the economy and its public backing via the deposit insurance system, its access to Federal Reserve lend-

ing and its payment system, banks should be separated from commercial activities. This separation is necessary in order for banks to play an independent role in granting credit to commercial enterprises and to firewall banks away from more risky commercial activities. Proponents also point to the recent economic problems in Asia, which they argue stem partially from the fact that many Asian banks are allowed to own and be owned by commercial entities. They also point to the 1980's savings and loan debacle, which they argue was caused by the mixing of banking and commercial ventures. *Staff Contact: Laurie Schaffer (Leach), x5-2258; Susan Olson (Bereuter), x5-4806; Charlie DeWitt (Campbell), x5-2631*

Messrs. Dingell and LaFalce will offer an amendment, debatable for one hour, to amend the consumer protection provisions in the bill by:

- * granting the SEC enforcement authority over Wholesale Financial Institution (WFI) holding companies. Supporters of the amendment claim that without this authority, the SEC will be unable to inspect investment WFI holding companies and enforce federal securities laws;
- * directing financial regulators to review existing disclosure requirements and, where needed, promulgate rules to require financial services providers to give consumers and investors clear and meaningful disclosure of all fees and commissions by securities firms and banks. Proponents of the amendment argue that a confusing array of new products, services, fees, and commissions will arise unless consumers are given complete information;
- * requiring the Treasury Secretary, in consultation with federal bank regulators and the SEC, to devise a new program to ensure that financial holding companies and their nonbank affiliates meet a Community Reinvestment Act-like obligation;
- * creating enforcement mechanisms for the Federal Reserve to require that new financial holding companies and their subsidiary insured banks offer and maintain low-cost basic banking accounts;
- * requiring the Federal Trade Commission to report to Congress on consumer privacy issues;
- * outlining general sales practice rules that address suitability in the sale of insurance products (i.e., ensuring that bank employees sell only insurance products that are "suitable" for the buyer); and
- * allowing state consumer statutes to preempt federal regulations only when the state statutes are stronger but stipulating a minimum level of protection from federal regulators. *Staff Contact: Reid Stuntz, x5-3641*

Mr. Bachus will offer an amendment, debatable for 20 minutes, to exempt small banks from Community Reinvestment Act (CRA) regulations. The amendment defines small banks as those with less

than \$250 million in assets. The CRA currently requires that banks and thrifts meet the credit needs of all segments of their communities, including low and moderate income neighborhoods. *Staff Contact: Terry Campbell, x5-4921*

Additional Information: See *Legislative Digest*, Vol. XXVII, #8, Pt. II, March 28, 1998, and #8, Pt. III, March 30, 1998.



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